

PUBLIC DISCLOSURE

February 14, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

COMMERCE BANK & TRUST COMPANY

386 MAIN STREET
WORCESTER, MA 01615

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **COMMERCE BANK & TRUST COMPANY** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **February 14, 2001**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "HIGH SATISFACTORY".

An institution in this group has a good record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The bank's rating of High Satisfactory is based on its performance under the Lending, Investment and Service Tests. The following summarizes the bank's performance in these areas.

Taking into account the number and amount of home mortgage and small business loans in its assessment area, Commerce Bank & Trust Company has demonstrated a good responsiveness to credit needs within its assessment area. A high percentage of the bank's loans are made within its assessment area. These loans are well distributed throughout the communities in its assessment area, particularly within the City of Worcester. The bank's lending demonstrates an excellent distribution of loans among individuals of different income levels and businesses of different sizes. The bank has an established record of serving the credit needs of economically disadvantaged areas in its assessment area, low and moderate-income individuals and businesses with gross annual revenues of \$1 million or less. The bank's fair lending performance was also found to be good at this time. Therefore, the bank's overall lending performance receives a rating of High Satisfactory.

The bank has demonstrated an acceptable level of qualified investments. The bank has further exhibited a consideration of community economic development needs in making such investments. Therefore, the bank's investment performance is determined to be Satisfactory.

The bank maintains a widespread system for delivering retail banking services, which are accessible to geographies and individuals of different income levels within the assessment area. Bank officers and employees have also provided a high level of service activities, primarily for community development purposes. These services provide technical financial assistance and are geared towards the generation of small business credit within the assessment area. The bank has also sponsored or participated in a number of financial education programs and seminars within its assessment area. Therefore, the bank's service activities receive a rating of Outstanding.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS Commerce Bank & Trust Company			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X		
Satisfactory		X	
Needs to Improve			
Substantial Non-Compliance			

* Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Commerce Bank & Trust Company is a state-chartered commercial bank headquartered at 386 Main Street in Worcester, Massachusetts. The bank operates three additional offices in Worcester as well as offices in the towns of Holden, Shrewsbury, Webster, Westborough, West Boylston. To serve its customer base, the bank employs 191 employees. Office hours are convenient and appear to be accessible to all segments of the assessment area. The bank maintains Automated Teller Machines (ATM) linked to the NYCE, VISA, MC, and CIRRUS networks. In addition, Commerce Bank & Trust has stand-alone ATMs located throughout the assessment area.

As of the December 31, 2000, FDIC Quarterly Call Report, the bank had total assets of \$537,092,000. Of these total assets, \$306,277,000 or 57.0 percent were in the form of loans (gross). The composition of Commerce Bank & Trust Company's loan portfolio was 75.0 percent real estate-related, 16.0 percent small business/commercial and 9.0 percent consumer loans.

The bank's focus on both commercial and residential lending is evident in the composition of its loan portfolio. Refer to the following table for the distribution of the bank's loan portfolio.

Loan Portfolio Composition

<i>Loan Distribution as of 12/31/2000</i>		
<i>Loan Type</i>	<i>Dollar Amount (000s)</i>	<i>Percent of Total Loans (%)</i>
<i>Construction and Land Development</i>	15,331	5%
<i>1-4 Family Residential</i>	124,677	41%
<i>Multi-Family (5 or more) Residential</i>	369	--
<i>Commercial</i>	88,344	29%
<i>Secured by Farmland</i>	280	--
<i>Total Real Estate Loans</i>	<i>229,001</i>	<i>75%</i>
<i>Commercial and Industrial</i>	49,955	16%
<i>Consumer</i>	26,246	9%
<i>Obligations of States and Political Subdivisions</i>	986	--
<i>Other Loans</i>	89	--
<i>Total Loans</i>	<i>306,277</i>	<i>100%</i>

Source: Report of Condition, December 31, 2000

The Division of Banks last examined Commerce Bank & Trust Company for compliance with the Community Reinvestment Act on November 9, 1998. The institution was rated "High Satisfactory" at that examination. The FDIC last examined the bank on January 27, 1997, and that examination resulted in a rating of "Satisfactory".

Description of Assessment Area

Commerce Bank & Trust Company has designated as its assessment area the City of Worcester and the towns of Auburn, Boylston, Douglas, Dudley, Grafton, Holden, Leicester, Millbury, Northborough, Oxford, Paxton, Princeton, Rutland, Shrewsbury, Southborough, Sterling, Upton, Webster, West Boylston, and Westborough. Most of these communities are located in the Worcester Metropolitan Statistical Area (MSA), except the Towns of Southborough and Upton which are located in the Boston MSA. The 1999 and 2000 HUD estimated median family income of the Worcester MSA was \$52,600 and \$54,400, respectively. The 1999 and 2000 HUD estimated median family incomes of the Boston MSA was \$62,700 and \$65,500, respectively.

Commerce Bank & Trust Company's assessment area contains 88 census tracts of which 6 or 6.8 percent are designated as low-income; 14 or 15.9 percent are moderate-income; 46 or 52.3 percent are middle-income; 20 or 22.7 percent are upper-income; and 2, or 2.3 percent have no income designation.

The 6 low-income census tracts as well as 11 of the moderate-income census tracts are located in the City of Worcester. The remaining moderate-income census tracts are located in the towns of Webster and Dudley.

One of the 2 non-income designated census tracts is located in the City of Worcester, and is the site of Clark University. This tract contained only 5 housing units at the time of the 1990 Census. The other non-income designated tract, located in the Town of Grafton, is dominated by the Tufts University School of Veterinary Medicine and two youth facilities, the Grafton Job Corps and the Key Program. The Grafton Job Corps is a federally funded facility under the auspices of the Commonwealth of Massachusetts' Department of Youth Services. The Grafton Job Corps educates young people (ages 18-24), helps them to pass the high school equivalency examination, and provides career training. The Key Program is a state funded "lock-down" facility for troubled youths. These three facilities comprise the majority of this one census tract; consequently, the US Census Bureau assigned no income designation.

Housing information obtained from PCI Services, Inc., CRA Wiz Software, based upon 1990 census data, indicated that there are 146,925 housing units within the bank's assessment area. Refer to the following table for more information.

Assessment Area Housing Statistics*				
Census Tracts	# of Housing Units	% Owner Occupied	% Renter Occupied	Median Housing Value
Low	9,026	8.4	87.2	132,737
Moderate	24,165	24.5	72.5	114,800
Middle	80,171	61.3	35.1	132,776
Upper	33,558	76.8	20.0	178,857
NA	5	0.0	0.0	0

*Source: PCI Services, Inc., CRA Wiz Software.

Local Businesses

As previously discussed commercial loans (including commercial real estate) represents approximately 45.0 percent of the bank's loan portfolio. The location of businesses is relevant to opportunities for Commerce Bank & Trust Company to make small business loans. As such, an analysis of the demographics of businesses located within the assessment areas was conducted.

Based on information obtained from Dun and Bradstreet reports, the following table details locations of businesses within the various census tract income categories within the assessment area as of June 1999.

<i>Distribution of Businesses by Income Level of Census Tract</i>		
<i>Census Tract Income Level</i>	<i>Number of Businesses</i>	<i>Percent of Total (%)</i>
<i>Low</i>	726	8%
<i>Moderate</i>	1,155	13%
<i>Middle</i>	4,527	50%
<i>Upper</i>	2,654	29%
<i>Total</i>	<i>9,062</i>	<i>100%</i>

Source: Dun & Bradstreet data through Tactician CRA Analyzer

The total number of businesses located within the assessment area represents approximately 5.0 percent of all businesses in the Commonwealth of Massachusetts. It should be noted that only 8.0 percent of all businesses located within low-income census tracts throughout the state are located within the assessment area, and 5.0 percent of all businesses located within moderate-income census tracts throughout the state are located within the assessment area.

Of all businesses operating within Commerce Bank & Trust Company's assessment area, approximately 22.0 percent of the businesses have been operating under the current ownership for less than five years, and 59.0 percent of businesses have been under the same ownership for more than ten years. In addition, 86.0 percent of businesses operating in the assessment area are comprised of small to medium-sized businesses with gross annual revenues less than \$1 million. The services industry represents 41.0 percent of the businesses within the assessment area.

Employment

The Massachusetts economy is strong, as seen in the low unemployment rate of 3.0 percent versus the national average of 4.0 percent. The unemployment rate for the Worcester area is similar, but even lower than the rest of the state at approximately 2.0 percent.

Local Competition

Six other institutions are headquartered in the assessment area, including Bay State Savings Bank, First Massachusetts Bank, Flagship Bank & Trust Company, Webster First Federal Credit Union, Webster Five Cents Savings Bank, and Westborough Savings Bank. First Massachusetts Bank, Flagship Bank, and Webster Five Cents Savings Bank are also considered large institutions for CRA purposes, reporting both

residential and small business loans. Two of these institutions, First Massachusetts Bank and Flagship Bank, are headquartered in Worcester.

Description of Worcester

The City of Worcester is known as the “Heart of Massachusetts” and is located 40 miles from Boston. The City is bordered by the towns of Auburn and Millbury on the south; the towns of Paxton, Holden and West Boylston on the North; the Town of Shrewsbury on the east; and the Town of Leicester on the West. The population density is 4,520 per square mile of the 38 square miles of the city, making Worcester predominantly residential in character.

Worcester formerly had a strong industrial base. Industries included steel fabrication and wire drawing, printing and envelop manufacturing, abrasives and machine tooling. Today, the city has a diverse economic base consisting of biotechnology, a retail and commercial sector, a manufacturing sector, and a large institutional base, which includes county services, seven hospitals, and eight colleges and universities.

1990 census data indicates that in Commerce Bank & Trust Company’s assessment area the weighted average median price of a home was \$140,338, while the weighted average median family income was \$44,200. Further, 77.2 percent of the households in the assessment area earn a wage/salary, while 28.6 percent receive social security, 8.1 percent receive public assistance, 16.5 percent are retired, and 9.5 percent are below poverty level.

Description of Aggregate Data

During the examination, PCI Services, Inc., CRA Wiz, was utilized to generate aggregate HMDA reports, when comparing Commerce Bank & Trust Company to all other HMDA lenders throughout its assessment area.

Aggregate data, for lending performance purposes only, constitutes 441 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased residential mortgages and/or home improvement loans within the bank’s assessment area. The total number of originations/purchases received by these lenders in calendar year 1999 was 18,080. The top five lenders within Commerce Bank & Trust Company’s assessment area in 1999 were Countrywide Home Loans, Inc. with a 5.59 percent market share; Ohio Savings Bank with a 5.44 percent market share; Fleet Mortgage Corporation with a 4.63 percent market share; Fleet National Bank with a 3.63 percent market share; and Norwest Mortgage, Inc. with a 2.87 percent market share. Commerce Bank & Trust Company ranked 26TH with a market share of 0.89 percent.

Community Contact

One community contact conducted during the examination indicated the City of Worcester is in need of additional affordable housing for low and moderate-income individuals and minorities, downtown development, and financing for small to medium size businesses. The contact stated that rehabilitation projects are under way in the main south area but local market rent levels fail to support this effort. According to the contact, one solution to this problem is gap financing or subsidized financing to encourage rehabilitation of these low-income blighted areas. Another solution to downtown development is to encourage small businesses to rent on the street level and devote the upper floors to mixed-use housing thereby creating an atmosphere of activity 18 hours a day. In conclusion, all of these efforts would benefit the community and ultimately increase the city's tax base.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank's home mortgage, small business, small farm and community development lending. The bank's lending performance is determined by factors such as the volume of the institution's loans within its assessment area, particularly to low and moderate-income borrowers and geographies; the amount of small business loans originated to businesses with annual revenues less than \$1 million; the institution's responsiveness to community development lending; and the use of innovative and flexible lending practices. Based on these factors, Commerce Bank & Trust Company's lending performance receives an overall rating of High Satisfactory. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

I. Lending Activity

Commerce Bank & Trust's assets totaled \$537,092,000 as of December 31, 2000. Gross loans totaled \$306,277,000, with a net loan to deposit ratio of 83.7 percent. The loan portfolio indicates that real estate loans increased by \$53,497,000 or 30.5 percent from December 31, 1999 to December 31, 2000. For the same period, gross loans have increased by \$68,281,000 or 28.7 percent. In addition, total deposits increased by \$85,306,000 or 31.2 percent for the same period. Commerce Bank & Trust Company's average net loan-to-deposit (LTD) ratio was calculated using the previous eight quarterly Reports of Condition filed with the FDIC. The average LTD ratio for the eight quarters was 84.1 percent. The most recent LTD ratio was 83.7 percent on December 31, 2000, down from a high of 89.5 percent on September 30, 1999.

The bank's net loan to asset ratio, as reported in the December 31, 2000, Uniform Bank Performance Report (UBPR), was 56.0 percent. The December 31, 2000 UBPR was the most recent available. The peer group's net loan to asset ratio was 51.5 percent, placing the bank in the 40th percentile. The bank's net loan to asset ratio is higher than

the peer group and appears reasonable for an institution this size. The peer group consists of 29 lenders. It should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences. The bank periodically sells mortgages in the secondary market to FNMA, however; it retains the servicing rights. All mortgages with an annual percentage rate lower than 7.25 percent are sold on the secondary market. In 1999, the bank sold 17 mortgages totaling \$1,658,032. The bank did not sell any loans during calendar year 2000.

In 1999, the bank originated and purchased 224 HMDA-reportable loans totaling \$21,524,000. During 2000, the bank originated and purchased 164 HMDA reportable loans totaling \$21,371,000. This represents a decrease of 26.8 percent by number and 0.7 percent by dollar amount from 1999 to 2000. This decrease can be attributed to the increase in interest rates as well as the significant increase in home prices during 2000. The low interest rate and strong economy in 1999 resulted in a tremendous amount of refinances for that period.

The 161 HMDA reportable loans originated and purchased by Commerce Bank & Trust Company in its assessment area during 1999 represented 0.89 percent of the market, ranking the bank twenty-sixth in market share. A further analysis indicated that Commerce Bank & Trust Company ranked as the number ten lender for HMDA reportable originations throughout the City of Worcester for 1999.

An analysis of the bank's small business lending was conducted for calendar year 1999 and 2000. This review indicated that Commerce Bank & Trust Company originated 401 small business loans totaling \$49,657,000. Of these loans, 320 or 79.8 percent were originated within the bank's assessment area. Additionally, the small business LAR for this period indicated that \$32,746,000 or 65.9 percent of the small business loans by dollar amount were originated within the assessment area.

Overall, the bank's level of HMDA reportable and small business lending reflects a strong responsiveness to credit needs of the assessment area based on the size of the bank, its resources, and strong local competition.

II. Geographic Distribution

HMDA-Reportable Loans

Commerce Bank & Trust Company's 1999 and 2000 Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated and/or purchased a total of 388 HMDA-reportable loans totaling \$42,895,000. Of this amount, 257 loans or 66.2 percent of the number, totaling \$27,787,000 or 64.8 percent of the dollar amount were originated within the bank's assessment area. Of the total amount of loans in the assessment area, 58.4 percent were for conventional home purchases, 41.2 percent were for refinances, and 0.4 percent were for home improvement loans. By number and dollar amount,

Worcester accounted for the largest volume of loans with 39.7 percent and 33.0 percent, respectively.

Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar amount.

HMDA-Reportable Loans by Number of Originations

Location	1999		2000		Totals	
Inside Assessment Area	161	71.9	96	58.5	257	66.2
Outside Assessment Area	63	28.1	68	41.5	131	33.8
Total	224	100.0	164	100.0	388	100.0

Source: 1999 & 2000 HMDA/LAR data

HMDA-Reportable Loans by Dollar Amount of Originations

Location	1999		2000		Totals	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
Inside Assessment Area	15,462	71.8	12,325	57.7	27,787	64.8
Outside Assessment Area	6,062	28.2	9,046	42.3	15,108	35.2
Total	21,524	100.0	21,371	100.0	42,895	100.0

Source: 1999 & 2000 HMDA/LAR Data

As depicted in the above tables, the majority of the bank's HMDA reportable lending, by both number and dollar amount, has been extended inside the bank's assessment area with a strong emphasis on the City of Worcester. Commerce Bank & Trust Company operates in a highly competitive market, with a total of 441 lenders operating within the assessment area, as reported during 1999. The intense level of competition is further demonstrated by the market share percentages achieved by the top lenders within the assessment area. Commerce Bank and Trust Company ranked tenth within the City of Worcester with a market share of 1.85 percent.

Small Business Lending

A small business loan, as defined in the FDIC Call Report instructions, is "...a loan with an original amount of \$1 million or less... secured by non-farm non-residential properties; or commercial and industrial loans to U.S. addresses." Information was obtained from the bank's small business loan registers.

An analysis of the bank's small business lending was completed for 1999 and 2000. This review indicated that Commerce Bank & Trust Company originated 401 small business loans totaling \$49,657,000. Of these loans, 320 or 79.8 percent were originated within the bank's assessment area. Additionally, the small business LAR for this period indicated that \$32,746,000 or 65.9 percent of the small business loans by dollar amount were originated within the assessment area. The City of Worcester accounted for the largest number and dollar amount of loans in the assessment area with 43.4 percent and 40.2 percent, respectively.

Refer to the following tables for additional information regarding the bank's small business lending, by both number and dollar amount.

Small Business Loans by Number of Originations

Location	1999		2000		Totals	
Inside Assessment Area	154	82.8	166	77.2	320	79.8
Outside Assessment Area	32	17.2	49	22.8	81	20.2
Total	186	100.0	215	100.0	401	100.0

Source: 1999 & 2000 SMALL BUSINESS LAR data

Small Business Loans by Dollar Amount of Originations

Location	1999		2000		Totals	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
Inside Assessment Area	15,399	70.7	17,347	62.2	32,746	65.9
Outside Assessment Area	6,376	29.3	10,535	37.8	16,911	34.1
Total	21,775	100.0	27,882	100.0	49,657	100.0

Source: 1999 & 2000 SMALL BUSINESS LAR Data

In 1999, Commerce Bank & Trust Company was ranked 6th in number and 4th in dollar amount among a total of 64 lenders for small business loans originated in Worcester County (where Commerce Bank & Trust's assessment area is located). In total, the bank originated 4.0 percent of the total number and 10.0 percent of the total dollar volume of all small business loans originated in Worcester County. This market rank data indicates that Commerce Bank & Trust Company is among the leaders in lending activity within Worcester County. Small business data for 1999 indicates that each of these lenders originated a similar number (150-200) and dollar volume (over \$20 million) of loans within Worcester County, suggesting strong demand as well as heavy competition for commercial loans in the area.

Competitors for small business loans within Worcester County include Advanta Bank, American Express Centurion Bank, Fleet Bank, Capital One F.S.B, First Massachusetts Bank and Flagship Bank and Trust Company. All of these lenders originated more small business loans than Commerce Bank & Trust Company, either by number of dollar amount. Of these other lenders, only Flagship Bank & Trust Company and First Massachusetts Bank are headquartered in the bank's assessment area (both are located in Worcester). Worcester County's largest small business loan originator by volume, American Express Centurion Bank ("Centurion"), is a \$15 billion institution based in Midvale, Utah

Commerce Bank & Trust Company's level of lending reflects an acceptable responsiveness to assessment area credit needs based on its concentration of loans within the assessment area, local competition, and position among the leaders for small business loans.

Distributions by Census Tract Income Level

HMDA-Reportable Lending

The following tables provide a breakdown of the bank's HMDA reportable loans within its assessment area, by both number and dollar amount, according to census tract income level. The following tables also show HMDA reportable loans in comparison to the number of owner-occupied housing units in each of the four census tract income categories.

Distribution of HMDA-Reportable Loans Within Assessment Area by Income Category of Census Tract

Census Tract Income Level	Owner-Occupied Properties		1999		2000		Total	
	#	%	#	%	#	%	#	%
Low	762	0.9	11	6.8	4	4.2	15	5.8
Moderate	5,923	7.3	22	13.7	16	16.7	38	14.8

Middle	49,178	60.2	86	53.4	58	60.4	144	56.0
Upper	25,783	31.6	42	26.1	18	18.7	60	23.4
Total	81,646	100.0	161	100.0	96	100.0	257	100.0

Source: 1999 and 2000 HMDA/LAR Data.

**Dollar Volume of HMDA-Reportable Loans within Assessment Area by
Income Category of Census Tract**

Census Tract Income Level	Owner-Occupied Properties		1999		2000		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
Low	762	0.9	554	3.6	431	3.5	985	3.6
Moderate	5,923	7.3	1,431	9.3	962	7.8	2,393	8.6
Middle	49,178	60.2	7,862	50.8	7,957	64.6	15,819	56.9
Upper	25,783	31.6	5,615	36.3	2,975	24.1	8,590	30.9
Total	81,646	100.0	15,462	100.0	12,325	100.0	27,787	100.0

Source: 1999 and 2000 HMDA/LAR Data

As the above data shows, lending activity exceeds the proportion of owner-occupied properties in both low and moderate-income census tracts. During the period January 1, 1999, to December 31, 2000, 5.8 percent of total HMDA reportable originations were within the low-income census tracts in the bank's assessment area. Moderate-income census tracts account for 7.3 percent of the area's owner-occupied housing stock and Commerce Bank & Trust Company originated 14.8 percent of its HMDA reportable loans in these tracts. The number and dollar amount of loans in middle and upper-income census tracts is slightly below the amount of owner-occupied properties in these areas.

All the low-income census tracts in the assessment area are located in the City of Worcester. One low-income census tract is located in downtown Worcester, the location of the bank's main office. The extremely low rate of owner-occupancy is a result of the makeup of the housing stock, which consists largely of rental units, non-owner occupied properties and multifamily apartment buildings. Within the low-income census tracts, there are a total of 762 housing units, of which 8.4 percent are owner-occupied. Residential mortgage opportunities in these census tracts are greatly limited, creating strong competition among financial institutions in this area.

The above table also shows lending activity based on the dollar volume of loans. However, differences in property values within the various census tract income levels make this a less reliable indicator of lending activity.

The geographic distribution of the bank's loans among low, moderate, middle and upper-income geographies may also be compared to that of all other HMDA-reporting lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1999 and is presented in the following table.

Geographic Distribution of Loans within the Assessment Area
Commerce Bank & Trust Company vs Aggregate

Census Tract Income Category	Number of Loans				Dollars in Loans (000's)			
	Commerce Bank & Trust		All Other Reporters		Commerce Bank & Trust		All Other Reporters	
Low	11	6.8%	241	1.3%	554	3.6%	19,016	0.9%
Moderate	22	13.7%	1,136	6.3%	1,431	9.3%	91,159	4.1%
Middle	86	53.4%	9,965	55.6%	7,862	50.8%	1,041,921	47.1%
Upper	42	26.1%	6,571	36.7%	5,615	36.3%	1,057,148	47.8%
N/A	0	0.0%	6	0.1%	0	0.0%	766	0.1%
Total	161	100.0%	17,919	100.0%	15,462	100.0%	2,210,010	100.0%

Source: HMDA Data for the period 1/1/99 to 12/31/99

The percentage of the bank's activity in low and moderate-income census tracts far exceeds that of all other lenders in the assessment area, by both the number and dollar volume of loans originated. In addition, the bank's lending activity in upper-income areas is proportionately below the aggregate level. As illustrated above, the bank's HMDA reportable lending demonstrates a very good geographic distribution, particularly in low and moderate-income geographies.

Small Business Lending

An analysis was also conducted of the distribution of small business loans inside the assessment area by census tract income level for 1999 and 2000. This analysis revealed that 51.9 percent of the small business loans were granted in middle-income census tracts, followed by 20.9 percent in upper-income census tracts, 13.8 percent in moderate-income census tracts, and 13.4 percent in low-income census tracts. A further analysis by dollar amount indicated that 44.4 percent of the bank's small business loans within the assessment area were originated in middle-income census tracts, followed by 22.4 percent in upper-income census tracts, 17.6 percent in low-income census tracts, and 15.6 percent in moderate-income census tracts.

Aggregate data for small business loan originations in 1999 and the distribution of businesses in the assessment area is discussed for comparison purposes. Commerce Bank & Trust Company's percentage of small business loans originated within low and moderate-income census tracts in 1999 is higher than the aggregate distribution and the distribution of businesses in the assessment area. The bank granted 16.0 percent of its small business loans in low-income census tracts compared to the aggregate at 10.0 percent.

Commerce Bank & Trust Company's geographic distribution of small business and HMDA loans is considered to be very good. The bank's percentage of HMDA and small business lending to low and moderate-income census tracts exceeds aggregate performance.

III. Borrower Characteristics

HMDA-Reportable Lending

The bank's HMDA-reportable loans were further analyzed to determine the distribution of lending by borrower income level. The loans were categorized by the ratio of the borrower's reported income to the HUD adjusted median family incomes for the Worcester and Boston MSA's. The adjusted median family incomes for the Worcester MSA for 1999 and 2000 were \$52,600 and 54,400, respectively. The adjusted median family incomes for the Boston MSA for 1999 and 2000 were \$62,700 and \$65,500, respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the Metropolitan Statistical Area (MSA). Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following tables show the number and dollar volume of loans to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group.

Lending to Borrowers of Different Income Levels **HMDA-Reportable Lending Within Assessment Area**

Borrower Income Level	Family Households		1999		2000		Total	
	#	%	#	%	#	%	#	%
< 50%	18,049	18.9	15	9.3	11	11.5	26	10.1
50 - 79%	16,317	17.1	27	16.8	20	20.8	47	18.3
80 - 119%	23,430	24.5	51	31.7	21	21.9	72	28.0

> = 120%	37,833	39.5	56	34.8	36	37.5	92	35.8
NA	0	0.0	12	7.4	8	8.3	20	7.8
Total	95,629	100.0	161	100.0	96	100.0	257	100.0

Source: 1999 and 2000 HMDA/LAR Data

Dollar Volume of Lending to Borrowers of Different Income Levels
HMDA Reportable Lending Within Assessment Area

Borrower Income Level	Family Households		1999		2000		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
< 50%	18,049	18.9	983	6.3	461	3.7	1,444	5.2
50 - 79%	16,317	17.1	2,100	13.6	1,673	13.6	3,773	13.6
80 - 119%	23,430	24.5	4,170	27.0	2,407	19.5	6,577	23.7
> = 120%	37,833	39.5	6,898	44.6	6,894	56.0	13,792	49.6
NA	0	0.0	1,311	8.5	890	7.2	2,201	7.9
Total	95,629	100.0	15,462	100.0	12,325	100.0	27,787	100.0

Source: 1999 and 2000 HMDA/LAR data

According to the analysis the bank's lending activity, when compared to the number of family households of different income categories produces symmetrical results in all income levels except in the low-income category, where originations of 10.1 percent falls below the 18.9 percent proportion of households in the assessment area. However, within the low-income group is a large proportion of households with incomes below poverty level and for whom homeownership would be very difficult.

The following table shows the number and dollar volume of HMDA reportable loans originated by the bank to low, moderate, middle and upper-income borrowers in comparison to all other HMDA reporting lenders in the assessment area during 1999.

Lending Within the Assessment Area to Borrowers of By Income Level
Commerce Bank & Trust Company Compared to Aggregate

Borrower Income Level	Number of Loans				Dollars in Loans (000's)			
	Commerce Bank & Trust		All Other Reporters		Commerce Bank & Trust		All Other Reporters	
Low	15	9.3%	664	3.7%	983	6.3%	43,335	2.0%

Moderate	27	16.8%	2,591	14.5%	2,100	13.6%	213,377	9.7%
Middle	51	31.7%	4,228	23.6%	4,170	27.0%	429,048	19.4%
Upper	56	34.8%	7,223	40.3%	6,898	44.6%	1,108,100	50.1%
NA	12	7.4%	3,213	17.9%	1,311	8.5%	416,150	18.8%
Total	161	100.0%	17,919	100.0%	15,462	100.0%	2,210,010	100.0%

Source: HMDA Data for the period 1/1/99 to 12/31/99

The distribution of the bank's HMDA reportable loans to low-income borrowers is favorable when compared to that of all other HMDA reporters within the assessment area. As shown above, the bank's percentage of lending to borrowers of low and moderate-income is greater than the aggregate by both number and dollar amount for 1999. The bank originated 9.3 percent of the total number and 6.3 percent of the total dollar amount of loans within the assessment area to low-income borrowers. Aggregate data indicates that loans to low-income borrowers represents 3.7 percent of the total number and 2.0 percent of the total dollar amount.

The bank's HMDA reportable loans to moderate-income borrowers accounts for 16.8 percent of the number and 13.6 percent of the dollar amount originated within the assessment area. All other institutions reported 14.5 percent by number and 9.7 percent by dollar amount to moderate-income borrowers.

Market statistical data for calendar year 1999 compiled by PCI Services, Inc. CRA Wiz, indicated that Commerce Bank & Trust Company ranked nineteenth in market share for HMDA reportable originations to low and moderate-income borrowers throughout its assessment area. The bank's market share for originations to low and moderate-income borrowers was 1.27 percent. As mentioned previously, there were 441 institutions that originated or purchased HMDA loans within the assessment area in 1999. The bank ranked behind much larger financial institutions. A further analysis of the bank's HMDA reportable loans originated within the City of Worcester revealed that the bank ranked seventeenth in lending to low and moderate-income borrowers.

Given the above information, Commerce Bank & Trust Company appears to be successful in its attempt to originate loans to applicants of all income levels.

Small Business Lending

A review of small business data for 1999 and 2000 revealed that the bank provides a large volume of loans of smaller dollar amounts to small businesses within the assessment area.

Commerce Bank & Trust Company's small business loan data was categorized by loan amount at origination to businesses with gross revenues of less than \$1million and gross revenues over \$1million. Of the 320 small business loans originated inside the bank's

assessment area for the period reviewed, 235 loans or 73.4 percent were for amounts less than \$100,000. In addition, 217 loans or 67.9 percent were granted to businesses with gross revenues of \$1 million or less. Refer to the following table for additional information.

**Small Business Loan Originations in Assessment Area by
Size of Business and Amount of Loan**

Loan Amount	Businesses With Revenues < = \$1 Million				Businesses With Revenues > \$1 Million			
	Number of Loans		Dollars in Loans		Number of Loans		Dollars in Loans (000's)	
< = \$100,000	162	74.7	\$5,794	28.0	73	70.9	\$2,706	22.4
> \$100,000 - \$250,000	35	16.1	\$5,295	25.6	16	15.5	\$2,640	21.9
> \$250,000 - \$1,000,000	20	9.2	\$9,596	46.4	14	13.6	\$6,715	55.7
Total	217	100.0%	\$20,685	100.0%	103	100.0%	\$12,061	100.0%

Source: CRA Small Business Loan Registers for the period 1/1/99 to 12/31/00

The percentage of loans of smaller dollar amounts is considered excellent. Based upon the information above, the bank appears to be proactive in meeting the credit needs of low and moderate-income borrowers and small businesses throughout its assessment area.

IV. Community Development Lending

As defined in the CRA regulation, a community development loan is a loan that: 1) has as its primary purpose community development; 2) except in the case of a wholesale or limited purpose bank, has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling loan; and, benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

During 1999 and 2000, Commerce Bank & Trust Company's level of community development lending was minimal with only three loans that qualify for this evaluation. These three, nine-month construction loans to Worcester Community Housing totaled \$324,000. The funds were used by the organization to rehabilitate residential properties to provide affordable housing for low and moderate-income families. Long-term financing for these properties was subsequently obtained through the Federal Home Loan Bank Affordable Housing Program.

V. Innovative or Flexible Lending Practices

Commerce Bank & Trust Company makes use of a number of innovative or flexible lending practices. The following describes programs or practices that are helpful in assisting low or moderate-income borrowers or small businesses obtain financing.

Worcester Housing Summit

Commerce Bank & Trust Company offers a First-Time Homebuyer Program in partnership with Worcester Community Housing. The program applies to one-to-four family, owner-occupied properties located within the City of Worcester. The product offered is a 3/1 adjustable-rate mortgage that remains fixed for the first three years then adjusts every year. The program also includes no points, a five-percent down payment option (of which 2 percent may be a gift), no private mortgage insurance requirement, reduced closing costs, and rate caps of 2 percent per adjustment and 4 percent over the life of the loan. Under this program, Commerce Bank & Trust Company extended 21 loans totaling \$1,418,000 in 1999, and 13 loans totaling \$831,800 in 2000. This level of production suggests that the program has assisted the bank in making loans to low and moderate-income borrowers, and within low and moderate-income areas.

Sub-prime Lending

Commerce Bank & Trust Company also has a lending program for applicants with lower credit scores, often the result of credit problems in the past. Although not limited to any specific area, a majority of loans extended under this program are within the bank's assessment area.

During the period under review, the bank extended eight loans under this program within the assessment area totaling \$887,000. Of these, one loan for \$65,000 was to a borrower with low-income and two loans totaling \$123,000 were to borrowers with moderate-incomes. In addition, two of these loans totaling \$98,000 were located within moderate-income census tracts.

Commerce Bank & Trust Company is successful in using innovative and flexible lending programs to assist borrowers with low and moderate-incomes obtain credit. In addition, many loans under these programs are within low and moderate-income census tracts.

VI. Fair Lending Policies and Practices

Commerce Bank & Trust Company has a formal Community Reinvestment and Fair Lending Policy, which was approved by the Board of Directors on December 19, 2000. The goal of the policy is to guide the bank in working proactively to eliminate any potential

discriminatory policies, practices, or procedures. This policy considers the guidelines established by Regulatory Bulletin 2.3-101, the Division's Fair Lending Policy. The following details the bank's fair lending performance.

Staff Training

Employees and managers of the bank have received training that deals with CRA and Fair Lending related issues. The bank's Training Officer is responsible for developing and implementing the bank's CRA training and reports the results to the Senior Vice President and CRA/Compliance Officer. Training focuses on compliance and fair lending laws and regulations. This training conveys the bank's commitment to fair lending and to the elimination of potentially discriminating policies and practices. In addition, a written test is administered annually to all employees and managers to determine their knowledge of fair lending issues and to determine if additional training is needed.

Staff Composition and Compensation

According to 1990 Census Data, the bank's assessment area contained a total population of 370,405 individuals, of whom 9.4 percent are minorities. The bank currently employs 191 individuals, of whom 5.6 percent are minorities. The bank does not employ outside loan originators.

Currently, there are 34 bilingual employees to assist the non-English speaking customers and potential customers of the bank. Refer to the service test for further details.

Outreach

The bank ascertains community credit needs through its support and involvement in community organizations.

In an effort to determine the credit needs of the entire assessment area, including low and moderate-income neighborhoods and low and moderate-income individuals, bank officers, management and bank staff have developed relationships with many local community organizations. Refer to the service test of this examination for further details on these organizations.

Credit Products and Underwriting Standards

Management periodically reviews the bank's credit products and underwriting standards to ensure that the credit needs of the assessment area are being met. Commerce Bank & Trust Company offers flexible and government subsidized and guaranteed loan programs. These products and programs are described in the flexible lending section of this report.

The bank continues to utilize flexible underwriting standards and evaluate compensating factors consistent with safe and sound banking practices as outlined in the bank's Loan Policy.

Marketing

Commerce Bank & Trust Company has an effective marketing program. The bank's strategy is to attract new customers, inform the community of its credit services, and make certain that the bank's efforts reach all segments of the assessment area.

Print media is the primary method used to advertise the bank's products and services. The bank regularly advertises in newspapers and publications serving its assessment area. The following is a sample of print media utilized: The Telegram & Gazette, a daily newspaper serving the communities of central Massachusetts; The Sentinel Enterprises, a daily newspaper serving Fitchburg and Northern Worcester County; The Metrowest News, serving the Framingham and the Metrowest area; The Vocero, a Spanish newspaper serving the greater Worcester Area; The Holden Landmark, a weekly newspaper serving the community of Holden; and The Community Newspaper, a weekly newspaper serving the communities of Shrewsbury and Westboro. Radio advertisements are also used and are broadcast on the following stations: WXLO-FM, WTAG-AM, WORC-AM, and WWTM-AM. In addition, the bank periodically utilizes billboards for advertisements and utilizes statement stuffers to advise current customers of additional services offered by the bank.

Credit Education

Please refer to the credit education section in the Service Test area for a detailed list of credit education seminars.

Counseling

Credit application assistance is provided in a helpful and consistent manner. All aspects of the credit process are thoroughly explained to all applicants. The bank also refers customers in need of credit assistance to the appropriate credit counseling agencies. In addition, the bank is a member of the Massachusetts Bankers Association Foreclosure Prevention Project, which provides customers experiencing financial difficulties with viable alternatives to foreclosure.

Second Review Practices

Commerce Bank & Trust company has a "second look" program for all consumer and residential loan applications considered for denial. The program requires a review by the department supervisor or a senior manager of all applications recommended for denial. The process helps to ensure that proper application procedures were followed, and to determine whether or not compensating factors were applied fairly and consistently.

Internal Control Procedures

The bank's CRA/Compliance program requires a periodic analysis of HMDA reports to verify the accuracy of all HMDA reporting data. In addition, the program requires evaluation of the systems in place to track and report required information on housing-related lending activities to the Federal Government on a timely basis. In addition, the bank contracts with an outside audit firm to conduct a fair lending and HMDA review semi-annually.

Minority Application Flow

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. From January 1, 1999, through December 31, 2000, the bank received 349 residential loan applications from within its assessment area. Of those applications, 257 or 73.6 percent were approved. During this period, 59 applications or 16.9 percent were received from minorities. Of these applications, 48 or 81.4 percent were approved. Refer to the following table for further details.

COMMERCE BANK & TRUST CO. RESIDENTIAL APPLICATION FLOW

	1999		2000		TOTALS	
RACE	#	%	#	%	#	%
Native American	1	0.5	0	0.0	1	0.3
Asian	4	1.8	8	5.8	12	3.4
Black	5	2.4	6	4.3	11	3.2
Hispanic	4	1.9	3	2.2	7	2.0
Joint Race	6	2.8	2	1.4	8	2.3
Other	17	8.1	3	2.2	20	5.7
TOTAL MINORITY	37	17.5	22	15.9	59	16.9
White	161	76.3	92	66.7	253	72.5
NO INFO	13	6.2	24	17.4	37	10.6
TOTAL APPLICATIONS	211	100.0	138	100.0	349	100.0

SOURCE - CRA Wiz 1999 and 2000

According to 1990 Census Data, the bank's assessment area contained a total population of 370,405 individuals, of whom 9.4 percent are minorities. The minority population is 4.9 percent Hispanic, 1.9 percent Asian, 2.3 percent Black, 0.2 percent American Indian and 0.1 percent Other. Commerce Bank & Trust Company's minority

application flow is significantly higher than the racial composition of its assessment area.

An analysis was also performed comparing the bank's application flow levels in 1999 to all other HMDA-reporting lenders. This data indicated that the bank received 17.5 percent of its applications from minority applicants compared to 7.1 percent for all other lenders. Refer to the following table for additional information.

Residential Application Flow Commerce Bank & Trust Co.
Compared to Aggregate Lenders

Race	Commerce Bank & Trust Co.		All Other Reporters	
	#	%	#	%
American Indian	1	0.5	51	0.2
Asian	4	1.8	593	2.1
Black	5	2.4	305	1.2
Hispanic	4	1.9	462	1.8
Joint	6	2.8	252	1.0
Other	17	8.1	199	0.8
Total Minority	37	17.5	1,862	7.1
White	161	76.3	16,537	63.2
No Information	13	6.2	7,762	29.7
Total	211	100.0%	26,161	100.0%

Source: HMDA Data for the period 1/1/99 to 12/31/99.

Commerce Bank & Trust Company's minority application flow for this period was compared with the racial make-up of the assessment area and the 1999 aggregate data for all HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

Aggregate information for 1999 indicated that, of the 26,161 HMDA reportable applications received by all other lenders within the bank's assessment area in 1999, 7.1 percent were from minorities: 0.2 percent American Indians, 2.1 percent Asian, 1.2 percent Black, 1.8 percent Hispanics, 1.0 percent Joint applicants and 0.8 percent Other Minorities. The bank received 211 applications during the same period. Of these, 17.5

percent were from minorities: 0.5 percent American Indians, 1.8 percent Asian, 2.4 percent Black, 1.9 percent Hispanic, 2.8 percent Joint applicants, and 8.1 percent Other Minorities.

Commerce Bank & Trust Company's minority application flow when compared to the other lenders within the assessment area is well above the aggregate.

VII. Loss of Affordable Housing

Commerce Bank & Trust Company's participation in government lending programs as well as the availability of credit products with flexible lending criteria has assisted low and moderate-income individuals to remain in their neighborhoods.

CONCLUSION (Lending Test)

Taking into account the number and amount of small business and home mortgage loans in its assessment area, Commerce Bank & Trust Company has demonstrated good responsiveness to credit needs. A majority of the bank's small business and mortgage loans are extended within its assessment area. The loans are well distributed throughout the communities in its assessment area, including within low and moderate-income geographies. The bank's lending also demonstrates a very good distribution of loans among businesses of different sizes and individuals of different income levels. Community development lending activity is limited, but reflects the bank's efforts to assist in providing loans to assist affordable housing efforts. In addition, the bank's fair lending performance was found to be reasonable at this time. Therefore, the institution's lending performance receives an overall rating of High Satisfactory.

INVESTMENT TEST

The CRA regulation defines a qualified investment as a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. Commerce Bank & Trust Company's investment performance is found to be Satisfactory. The following describes the institution's qualified investments.

Investments

Bonds

Massachusetts Housing Finance Agency (MHFA) - The MHFA was created in 1966 with the purpose of financing housing through the secondary market issuance of bonds. Proceeds of such bonds finance single-family and multi-family housing and provide assistance to low to moderate-income renters and buyers; and developers of housing within Massachusetts.

Commerce Bank & Trust Company has secured investments that qualify as community development investments within its portfolio. During 1998 and 1999, the bank acquired five MHFA revenue bonds totaling \$390,000. These bonds support housing not only within the bank's assessment area, but within a wider statewide area as well. These investments represent approximately 0.2 percent of the total investment portfolio.

Worcester Venture Fund, L.P. – This limited partnership was created in 2000 to make investments in privately held, high growth potential ventures, located primarily in Worcester County. Business sectors in which the partnership invests include communications, Internet commerce and media, traditional media, software, consumer

products, and high technology. In February 2001, Commerce Bank & Trust Company made a commitment for an equity investment of \$350,000 in this fund. As of the date of this evaluation, the bank has extended 20 percent (\$70,000) of the total committed amount to this fund.

Charitable Contributions

From January 1, 1999 to December 31, 2000, Commerce Bank & Trust made 37 qualified donations totaling \$39,700, which represents 28 percent of the bank's total donations of \$143,500 0.24 percent of overall pre-tax net operating income (NOI) for the period.

The following is a summary of the various community development organizations that received donations from Commerce Bank & Trust:

Worcester Common Ground - This organization's primary purpose is to promote and provide community control of land and permanently affordable home ownership for low and moderate-income residents of Worcester.

Worcester Community Housing Resources, Inc. - This organization provides affordable housing and is working to stabilize low- and moderate-income neighborhoods in Worcester including Crown Hill, Elm Park, and Beacon Brightly. In addition the organization provides citywide lending and development services to other non-profits and private developers. This organization also provides training and counseling to first-time homebuyers.

YMCA of Central Worcester - This branch operates in a low-income geography within the City of Worcester (Main South neighborhood) and provides significant outreach and support programs for low and moderate-income individuals.

Worcester County Food Bank - This organization is a food pantry that distributes donated food to local partner agencies like Friendly House, Jeremiah's and Saint Anne's Human Services in Shrewsbury. The Worcester County Food Bank and its particular agencies provided hot meals or sorely needed groceries to over 80,000 people (46,430 in Worcester alone).

The United Way of Central Massachusetts - This organization provides funding to and supports various organizations throughout the Central Massachusetts area. In fiscal year 2001, more than 90 percent of the funds have been used to provide access to services for low-income families. Most of the services are for youth development. However, approximately 25 percent of the funds are used for basic needs and housing-related services.

CONCLUSION (Investment Test)

As mentioned above, Commerce Bank & Trust Company qualified investments consist of bonds, venture funds and the provision of qualified charitable grants. These investments are targeted towards low and moderate-income individuals and areas. The bank has demonstrated an adequate level of qualified investments, and has exhibited adequate responsiveness to credit and community economic development needs. Therefore, the bank's investment performance receives a rating of Satisfactory.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Commerce Bank & Trust Company service activities are considered to be Outstanding based upon an evaluation of both areas.

Commerce Bank & Trust Company's main office is located in a low-income census tract and the bank's Webster office is located in a moderate-income census tract. The systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. The bank's low cost checking and savings accounts as well as the convenience of its automated telephone banking system and Commerce Mane-Link banking services are tailored to the convenience and needs of its assessment area.

Officers and employees of the bank have provided a good level of service activity in response to community needs. Retail banking services and products offer consumers flexibility and convenience. In addition, officers and employees of Commerce Bank & Trust Company provide a high level of involvement in community organizations located throughout its assessment area. The following details the institution's services.

Retail Banking Services

Distribution of Branches

Commerce Bank & Trust Company, a Massachusetts chartered institution, is headquartered in the center of downtown Worcester at 386 Main Street, which is designated as a low-income census tract. In addition to its main office, the bank operates 3 additional branches in Worcester as well as branches in Holden, Shrewsbury, Webster, Westboro, West Boylston. The Park Avenue office in Worcester and the Holden office are located in upper-income census tracts. The Webster office is located in a moderate-income census tract and the remaining five offices are located in middle-income census tracts.

Record of Opening and Closing Branches

The bank maintains a Retail Banking Office Opening Policy. This policy is incorporated in the bank's 2000 Strategic Plan approved by the Board of Directors in January of 2000. The plan outlines basic procedures to be followed should the decision be made to open an office. In June of 1999, the bank closed the 240 Main Street office in Downtown Worcester that was several blocks from the bank's main office. The bank opened three full service branch offices and one drive-up facility since the last FDIC examination dated January 27, 1997. The West Boylston office was opened in September, 1997, followed by the 404 Main Street, Worcester drive-up facility that is adjacent to the main office and which was opened in October of 1998. The bank opened the 11 Park Avenue, Worcester office in June 1999, and the 993 Grafton Street, Worcester office in March 2000.

Alternative Banking Services

Services and hours of operation compare favorably to those of competing institutions and afford accessibility to all segments of the bank's assessment area. All of the full service offices have extended hours from 7:00am to 7:00pm Monday through Fridays, and Saturdays from 8:30am to 12:30pm with the exception of the main office and the adjacent drive-up window. All of the full service offices are equipped with 24 hour Automated Teller Machines (ATMs). In addition, the bank maintains seven free standing ATMs: one located in a low-income census tract, four located in moderate-income census tracts, one located in a middle-income census tract and one in an upper-income census tract. The ATMs are linked to the CIRRUS, NYCE, PLUS, DISCOVER, MasterCard, and VISA networks. Residential loan applications are also available at each location. The bank is also a member of the SUM network, an ATM surcharge free alliance of financial institutions.

The bank also offers a Visa Check Card (debit card). There is no fee charged to customers who use the debit card.

Currently, there are 35 bilingual employees to assist the non-English speaking customers and potential customers at the bank. Second languages include French, Italian, Akan, Arabic, Greek, Gujarati, Russian, Danish, Norwegian, Vietnamese, Polish, Turkish, German, Sign Language and Spanish. As a result, the bank is able to provide better service to customers of different ethnic backgrounds.

The bank offers customers 24-hour account access through its automated telephone banking system known as TELEBANK Mane-Line. By utilizing the bank's phone banking, customers can access their accounts, obtain balance inquiries, transfer funds from one account to another and obtain current interest rate information. This service is available to all customers and is free of charge.

Other Services

As a participant in The Massachusetts Community and Banking Council's (MCBC) Basic Banking Program, Commerce Bank & Trust Company offers low cost savings and checking accounts. The following details the low cost savings and checking accounts offered by the bank.

- **Statement Savings:** There is a \$10.00 minimum balance on the bank's Savings Account and no monthly fees or service charges. This account requires a minimum of \$10.00 to open and interest is earned on all balances.
- **Basic Checking:** The Basic Checking Account requires no minimum balance, and allows for unlimited transactions per month with no monthly fees. This account requires a minimum of \$10.00 to open. All account holders are offered a free ATM card that can be used free of charge at all of the bank's ATM and "SUM" locations.

Customers and potential customers can obtain general bank information such as branch hours, branch location, products and services, etc. through the bank's web site at www.bankatcommerce.com. In addition, Internet banking allows bank customers to view recent activity on accounts transfer funds between designated accounts, and pay bills at no charge to the customer.

Community Development Services

The CRA regulation defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. Commerce Bank & Trust Company officers and employees are involved with community organizations that address economic and affordable housing development. Through these involvement's, the bank's staff lends their technical expertise, experience and judgment to these organizations. Detailed below are the bank's qualified community development services.

- **Worcester Community Housing Resources, Inc. (WCHR):** This organization provides affordable housing and is working to stabilize low and moderate-income neighborhoods including Crown Hill, Elm Park, and Beacon Brightly. In addition, the WCHR provides citywide lending and development services to other non-profits, private developers and others with a similar mission. Furthermore, WCHR provides training and counseling to first-time homebuyers. The bank's Senior Vice President, CRA/Compliance Officer serves on the loan committee of this organization and a Vice President/Commercial Loan Officer serves as a Treasurer of this organization.
- **Worcester Common Ground:** The bank's Vice President of Lending assists this organization with the administration of Affordable Housing Programs offered by The Federal Home Loan Bank of Boston.
- **Young Men's Christian Association (YMCA):** This branch operates in a low-income geography within the City of Worcester (Main South neighborhood) and provides significant outreach and support programs for low and moderate-income

individuals. The bank's President is a Director and serves on the Finance Committee of this organization and is a member of the newly established Diversity Committee.

- **Worcester County Food Bank:** The bank's President is a Director and serves on the Finance Committee of this organization.
- **City Manager's Commission on Homeless:** This Commission is charged with reconfiguring the delivery of services to the homeless population within the City of Worcester. The commission is responsible for relocating a homeless shelter on Main Street to make way for the redevelopment of the neighborhood. The bank's Vice President/Commercial Loan Officer contributes financial expertise and works to develop permanent affordable housing for the homeless as Chair of the Facilities Subcommittee.
- **Public Shelter:** A bank Vice President/Commercial Loan Officer serves as Treasurer of this homeless shelter that is located on Main Street in Worcester.
- **United Way of Central Massachusetts:** This organization offers community services targeted to low and moderate income individuals. An estimated 70 percent of funds are directed to low and moderate-income individuals. A bank Vice President/Commercial Loan Officer serves as Chair of the Family and Youth Counseling Panel. The panel's function is to recommend United Way funding levels annually.

In addition to the above noted organizations, officers, employees, and Board members of Commerce Bank & Trust Company are also actively involved in Chambers of Commerce and Business Associations in many communities within its assessment area.

Other organizations that officers and employees lend their technical expertise include civic, charitable, religious and fraternal organizations located throughout the assessment area.

Educational Seminars and Services

Bank officers and employees have also participated in seminars and other events sponsored or co-sponsored by the bank during 1999 and 2000. These events provide opportunities for bank representatives to inform those in attendance about the products and services offered by the bank and to gain information about unmet credit needs in the community.

- A first time homebuyer seminar was held on June 1, 2000 sponsored by The Central Massachusetts Housing Alliance, Inc. The bank's Senior Vice President/CRA Officer was the guest speaker.
- Two first time homebuyer seminars were held on June 15, 1999 and September 8, 1999 sponsored by Worcester Common Ground. The bank's Senior Vice President

and CRA/Compliance Officer was a guest speaker during the lending section of the program.

- The bank participates in the “Savings Makes Cents Program” through the participation of the branch offices. This school-banking program was developed to teach the value of money management to elementary school children. The program is designed to encourage local schools and banks to work together to teach children basic monetary concepts. The school children are encouraged to open savings accounts and actually do basic transactions on “banking days”.
- In October and November of 2000 the bank's Senior Vice President & CRA/Compliance officer participated in a financial literacy program at Plumley Village East a subsidized housing complex in Worcester. This program entitled, Understanding Personal Finance, addressed credit problems and predatory lending, rights and responsibilities of consumers, and preparing to buy a first home.
- The bank participates in the Massachusetts Small Business Development Corporation (MSBDC) which is a partnership of the U.S. Small Business Administration (SBA) the Commonwealth's Department of Economic Development and the Clark University Graduate School of Management. The MSBDC provides counseling and education to the business community. Many of the programs and workshops offered are geared for start-up and small business owners. Management has given financial assistance to this organization and refers potential small business borrowers that need assistance developing business plans and loan proposals. In addition MSBDC refers potential small business borrowers to the bank.
- Management of the bank is an active participant in the “Protect Your Savings Program” sponsored by the Executive Office of Elder Affairs, Commonwealth of Massachusetts Office of Consumer Affairs and Business Regulation, Attorney General's Office, Commonwealth of Massachusetts Division of Banks, and the Massachusetts Bankers Association. This program helps bank employees, who suspect that an elderly customer is being financially exploited, by supplying the proper information and administrative tools necessary to intervene on the customer's behalf. Brochures have been created to help individuals identify these seniors and make sure that proper referral channels have been established. The bank's Senior Vice President and CRA/Compliance Officer participated as a panel member at several seminars sponsored by the Massachusetts Association of Councils on Aging. The seminars were held on September 8 & 23, 1999 and October 5, 2000.
- A bank Vice President/Commercial Loan Officer participated in the Senior Core of Retired Executives' (SCORE) small business loan training program that was sponsored by the U.S. Small Business Administration. The bank's Vice President/Commercial Loan Officer made five presentations; three in 1999 and three in 2000; on “How to Obtain Bank Financing”. In addition, the bank representative addressed the SCORE Board of Directors on the same topic to give them a better

understanding of the program thus enabling them to better assist small business owners.

CONCLUSION (Service Test)

As illustrated above, officers and employees of Commerce Bank & Trust Company have demonstrated a high level of service activity and involvement in community organizations throughout the assessment area, as well as a high level of educational activities. The bank's products and alternative banking services are tailored to the convenience and needs of its assessment area. Therefore, a rating of Outstanding is warranted.

APPENDIX A

SCOPE OF EXAMINATION

Commerce Bank & Trust Company's assessment area is defined as 21 communities located within the Worcester and Boston MSAs. The institution's CRA performance was reviewed using the large bank examination procedures. The time period covered in this examination was January 1, 1999 through December 31, 2000, using data as available.

All loans recorded on the 1999 and 2000 HMDA LAR were included in the evaluation of the bank's lending performance. In addition, all loans recorded on the 1999 and 2000 Small Business Loan Register (as defined under the data collection requirements of the CRA regulation) were included in the evaluation of the bank's lending performance.

Internal analysis generated by the Division was reviewed during the examination as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the bank's Public File, which contained no negative CRA-related comments.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

COMMERCE BANK & TRUST COMPANY

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **FEBRUARY 14, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
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_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each designated assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.